HB 614

Department of Legislative Services

Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 614 (Delegate Lisanti, *et al.*)
Health and Government Operations

Hospitals - Changes in Status - Hospital Employee Retraining and Placement

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This bill expands the circumstances under which a hospital is required to pay a specified fee to the Department of Labor, Licensing, and Regulation (DLLR) to include when a hospital voluntarily downsizes. The bill also specifies how any fee assessed is to be calculated, and it alters how any resulting revenues are to be used.

Fiscal Summary

State Effect: Special fund revenues increase, by an unknown amount, beginning as early as FY 2019. Special fund expenditures increase accordingly, as discussed below.

Local Effect: The bill is not anticipated to materially impact local government operations or finances.

Small Business Effect: None.

Analysis

Bill Summary: "Downsize" means to reduce the number of employees of a hospital by at least 10 full-time equivalent employees in any consecutive three-month period.

Fee Assessment Calculation

The fee may not exceed 0.01% of the total revenue approved by the Health Services Cost Review Commission (HSCRC) for the fiscal year prior to the closure, merger, downsizing, or delicensing of the hospital. To derive the individual fee for each hospital, HSCRC must prorate the total amount of fees among all hospitals based on the ratio of the actual gross patient revenues of an individual hospital to the total gross patient revenues of all hospitals.

If HSCRC uses the number of employees affected by the closure, merger, downsizing, or delicensing of a hospital in calculating the fee, HSCRC may not include an employee who is offered a comparable or better position by the hospital at an affiliated hospital located within a 30-mile radius of the employee's residence.

Hospital Employees Retraining Fund

When the Secretary of Labor, Licensing, and Regulation receives funds from a hospital, the funds are to be deposited in the Hospital Employees Retraining Fund. The bill specifies that the fund must be used to establish a program for the retraining and placement of nonexecutive hospital employees, who are not licensed physicians or physician assistants, and who are unemployed or who may become unemployed as a result of the closing, delicensing, downsizing, or merging of hospitals.

Before DLLR uses the program established with funds from the Hospital Employees Retraining Fund, DLLR must determine whether other programs within DLLR may be used to provide training and placement for the hospital employees who would be eligible for training and placement.

Current Law: If a hospital voluntarily closes, merges, or is delicensed and workers are displaced, each hospital must pay a fee directly to DLLR that may not exceed 0.01% of the gross operating revenue for the fiscal year immediately preceding the closure or delicensing. Current law does not establish a maximum fee for mergers. A fee may only be assessed once for each voluntary closure, merger, or delicensure. The Secretary of Labor, Licensing, and Regulation must pay the fees received into the Hospital Employees Training Fund.

DLLR must establish a program for the retraining and placement of hospital employees who are unemployed or who may become unemployed as a result of the closing, delicensing, downsizing, or possible downsizing of a hospital or the merging of hospitals. The fund must be used to (1) retrain and place hospital employees in other jobs and (2) pay any and all expenses of DLLR for administering the fund its related activities. Any unexpended funds remaining at the end of the fiscal year may not revert to the general fund. The Secretary of Labor, Licensing, and Regulation and the Secretary of Health are required to develop regulations to implement the program.

Provisions of the Health-General Article also authorize HSCRC to temporarily adjust hospital rates for those hospitals that are directly involved in a merger, consolidation, closure, or delicensure to provide sufficient funds for an orderly transition. Funds can cover allowances for those employees who are or would be displaced, allowances to permit a surviving institution in a merger to generate capital to convert the closed facility, and other purposes.

Background: HSCRC advises that a fee has been *calculated* under the statute related to the Hospital Employees Training Fund on two occasions. An assessment of $110,000 was imposed in 1991 when Homewood Hospital closed. In 1993, a letter from the Attorney General advised that sufficient funds still existed in the fund to cover the expenses associated with the closure of Leland Memorial Hospital. Since that time, no funds have been collected or deposited into the fund. When Church Hospital provided notice of intent to close in October 1999, the estimate of closing costs included "Outplacement Services and Other Personnel Expenses" totaling $228,000. As Church Hospital was a MedStar facility, the closing costs were collected from the remaining MedStar hospitals in the State. Thus, no fee was calculated or assessed at that time.

HSCRC advises that it currently receives data on hospital employees only once a year, covering a two-week period in February. There is currently no real-time reporting for hospital employment. Thus, hospitals would have to voluntarily report any reduction in workforce stemming from a downsizing initiative at the hospital.

DLLR advises that it currently does not maintain any balance in the Hospital Employees Training Fund. DLLR further advises that the Division of Workforce Development and Adult Learning administers funds allocated by the federal government through the Workforce Innovation and Opportunity Act that help DLLR assist "dislocated workers" through programming administered by the State's 12 local workforce areas. Additionally, DLLR advises that, since 1989, the division has offered rapid response services in coordination with key partners to act as both a provider of direct reemployment services and as a facilitator of additional services and resources. Staff coordinates services and provides immediate aid to companies and their affected workers.

State Fiscal Effect: Special fund revenues increase, by an unknown amount, beginning as early as fiscal 2019, as a result of the bill's requirement that the specified fee be paid when a hospital downsizes. Special fund expenditures increase accordingly for DLLR to provide services to specified employees. The amount paid into the fund or the specific services provided likely depends on the specific hospital involved.

DLLR advises that, if employees of a hospital are laid off as a result of a closure, merger, downsizing, or delicensure, then the division would use federal funds to provide job placement services. As a result, DLLR states that capitalizing the Hospital Employees Training Fund would require hospitals to provide funding to DLLR for activities that may otherwise be provided using federal funds. While the bill requires DLLR to determine whether existing programs may be used to provide job training and placement, such a requirement does not necessarily affect the actual assessment of the fee from hospitals under the existing process.

According to DLLR, federal fund revenues are not affected, as the allocation of Workforce Innovation and Opportunity Act funds is independent from other State resources. Additionally, as the bill requires DLLR to determine whether existing programs may be used to provide job training and placement before using funds assessed from the hospitals, federal fund expenditures are not affected.

Additional Information

Prior Introductions: SB 379 of 2017 passed the Senate with amendments, but no further action was taken. Its cross file, HB 932, received a hearing in the House Health and Government Operations Committee, but no further action was taken.

Cross File: SB 390 (Senator Feldman, *et al.*) - Finance.

Information Source(s): Maryland Department of Health; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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